

ISSUE DATE: August 2, 1995

DOCKET NO. E-002/M-89-795

ORDER APPROVING PERMANENT AREA DEVELOPMENT RATE PLAN AND  
REQUIRING FILING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
Joel Jacobs  
Marshall Johnson  
Dee Knaak

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of Northern States Power  
Company's Proposed Area Development Rider

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**PROCEDURAL HISTORY**

On June 28, 1990, the Commission issued its ORDER APPROVING TARIFF in the above-captioned matter. In that Order the Commission approved a pilot Area Development Rider (ADR) proposed by Northern States Power Company (NSP or the Company). Under NSP's plan, the ADR program would be implemented in four area development zones in Minneapolis and St. Paul.

On January 15, 1992, the Commission issued its ORDER APPROVING MODIFICATION OF PLAN AND REQUIRING FURTHER FILING in Docket No. E-002/M-91-710. In that Order the Commission approved the expansion of NSP's ADR project into a fifth zone, located in South St. Paul.

On August 26, 1992, and September 12, 1994, the Commission issued Orders extending the authority for the pilot program to June 28, 1995.

In December, 1994, the Commission submitted a report and recommendation on the ADR pilot to the Minnesota legislature, as required by the ADR statute. In the report, the Commission stated that NSP's pilot program had contributed to industrial revitalization in the targeted areas.

In 1995, the Minnesota legislature amended the ADR statute, Minn. Stat. § 216B.161. The new legislation removed the July 1, 1995, sunset provision, extended the concept of ADR to gas utilities, and established other minor changes.

On May 12, 1995, NSP filed a petition seeking authority for a permanent ADR rider. In its petition, NSP proposed four changes to its plan: an increase in the number of possible zones from ten to 15<sup>1</sup>; a requirement that the ADR customer execute a six-year electric service agreement; elimination of NSP's reporting requirements; and conversion of the pilot program to a permanent tariff.

On May 23, 1995, the Department of Public Service (the Department) filed comments generally favoring the Company's proposal. The Department recommended that NSP modify its plan by extending it beyond the seven-county Twin Cities metropolitan area to the whole of NSP's service area.

In June 5, 1995, reply comments, NSP agreed with the concept of expanding the program beyond the seven-county Twin Cities metropolitan area. NSP stated that it had met with the Minnesota Department of Economic Security to develop program criteria. As a result of these discussions, NSP offered the following criteria for application of the ADR to Minnesota cities outside the seven-county Twin Cities metropolitan area:

- the ADR would be limited to cities with a population of 25,000 or more
- the ADR would be limited to cities located in a county (or counties) that has/have experienced a decline in combined manufacturing and wholesale trade employment between 1987 (the earliest year individual county data are available) and 1993 (the latest year county data area available)

The Department indicated that it agreed with these criteria.

On July 20, 1995, the Company's ADR proposal came before the Commission for consideration.

## **FINDINGS AND CONCLUSIONS**

### **I. INTRODUCTION AND SUMMARY OF COMMISSION ACTION**

As the Commission stated in its 1994 report to the Minnesota legislature, NSP's pilot ADR program has fulfilled the statutory intent of assisting industrial revitalization projects located within NSP's service territory. The fact that the program has been conducted on a pilot basis has allowed the Commission and the Department to monitor, assess, and adjust the program as necessary throughout its five year history.

The legislature has now removed the sunset provision from the ADR statute, demonstrating

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<sup>1</sup> In its June 5, 1995, reply comments, NSP increased the proposed zone limit to 18.

willingness to allow ADR projects on a permanent basis. NSP's project has been tested and found worthy of becoming a permanent tariff offering. NSP has developed sensible criteria under which the project can be expanded while continuing to fulfill the intent of the legislation. While the Company is implementing this expansion, the Commission will require minimal reporting requirements.

## **II. EXPANSION OF THE ADR PROGRAM**

The Commission agrees with the Department that there is nothing in the area development rate statute which limits the program to the seven-county Twin Cities metropolitan area. While it was logical to base the pilot program in the state's major urban area, expansion of the program beyond the Twin Cities is now appropriate.

The Commission is satisfied with the criteria that NSP developed for the expanded ADR program. Limiting expansion to cities of 25,000 which experience a downturn in manufacturing and wholesale trade employment is consistent with the statutory purpose of assisting ongoing urban industrial redevelopment programs.

The Commission notes that no Minnesota community outside the Twin Cities currently conforms to the criteria which NSP proposes. Despite this fact, the Commission finds that the program criteria are appropriate, comply with the terms and goals of the ADR statute, and remain available to communities should they come to fall within their parameters. The Commission therefore agrees with the Department and the Commission that the proposed criteria should be adopted.

## **III. REPORTING REQUIREMENTS**

In the Order authorizing NSP's original ADR program, the Commission included substantive annual filing requirements for the Company. Annual filings were necessary for at least two reasons. First, the ADR project was a pilot program subject to monitoring and assessment. Second, the Commission was under an obligation, pursuant to Minn. Stat. § 216B.161, subd. 4, to submit its evaluative findings to the legislature by January 1, 1995.

Although NSP's ADR project is now evolving from a pilot program to a permanent tariff, the Commission will require one further reporting effort. Further data is necessary because NSP is now modifying and expanding the program. The Commission also notes that the program's benefit to ratepayers was not conclusively established in the December, 1994, legislative report. For these reasons the Commission will require NSP to file an informational report with the Commission within two years from the date of this Order.

The Commission will require NSP to include in its report the information which the Company suggested in its May 12, 1995, petition:

- the number and profile of each new customer approved

- the identification of participating communities and the location of the ADR zone(s) in each community
- the total annual energy and demand levels for participating companies
- the difference in annual revenues from the area development rider compared to the revenues that would have been collected had the customer(s) been charged the standard applicable rate
- the incremental cost information and analysis

After the Company has filed its two-year report, the Commission will consider what, if any, ADR reporting will be required in the future.

### **ORDER**

1. The Commission approves NSP's proposed area development rider, as filed on May 12, 1995, and June 5, 1995.
2. Within two years from the date of this Order, NSP shall file with the Commission and the Department a report on the ADR program containing the information listed in the body of this Order.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)